

Louis S. Ederer(LE 7574)
John Maltbie (JM 3658)
ARNOLD & PORTER LLP
399 Park Avenue
New York, New York 10022
(212) 715-1000
*Attorneys for Defendants and
Counterclaim Plaintiffs Joseph Abboud, Houndstooth Corp.
and Herringbone Creative Services, Inc.*

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----- X
JA APPAREL CORP.,

Plaintiff,

v.

JOSEPH ABBOUD, HOUNDSTOOTH
CORP., and HERRINGBONE CREATIVE
SERVICES, INC.,

Defendants.

JOSEPH ABBOUD, HOUNDSTOOTH
CORP., and HERRINGBONE CREATIVE
SERVICES, INC.,

Counterclaim Plaintiffs,

v.

JA APPAREL CORP. and MARTIN STAFF,

Counterclaim Defendants.
----- X

Civil Action No. 07 CV 07787 (DAB)

**DECLARATION OF LOUIS S.
EDERER IN SUPPORT OF CROSS-
MOTION FOR JUDGMENT ON THE
PLEADINGS ON COUNTS ONE
THROUGH SEVEN AND COUNT
NINE OF PLAINTIFF'S
COMPLAINT AND IN OPPOSITION
TO PLAINTIFFS' MOTION *IN
LIMINE* TO PRECLUDE
ADMISSION OF PAROL EVIDENCE**

EXHIBIT E

~~GRUPPO GFT~~

FACSIMILE TRANSMIT COVER SHEET

Facsimile phone number: (011) 239.7259 (CCITT GR3)

Date December 3, 1999

From Paolo Vigitello

To J.ANTON INC.

Facsimile phone number 001/617/4399280

Attn Mr. Joseph ANTON

COMMENTS

Re: J.Abboud/GFT

Dear Joseph,

In consideration of the confidentiality, please forward this document to Mr. Joseph Abboud.

Best regards.



Paolo Vigitello

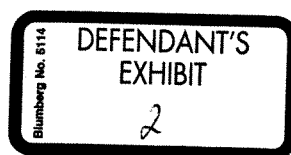
Total number of pages including this page 5. If you don't receive all the pages call phone number 0039-11-239.7451

GFT SpA, 10152 Torino (Italia) - corso Emilia 6, tel. (011) 23971, cassetta postale 445 - 10100 Torino

CONFIDENTIAL PURSUANT TO COURT ORDER

D00011418

CONFIDENTIAL



KSC00004149

~~CRUPPO-CEP~~

Mr. Joseph E. Anton
 J.E. Anton Incorporated
 260 Franklin Street
Boston, Massachusetts 02110

December 3rd, 1999

Re: Joseph Abboud/GFT

Dear Joseph,

As agreed in our previous correspondence this letter is to submit to your attention the proposed earn out formula and after our phone conversation on November 29, 1999 at your specific request also a proposed salary/compensation package.

First of all it must be defined that the acquisition target is represented by all Joseph Abboud trademarks personally owned by Mr. Abboud. GFT has interest to purchase the trademarks directly from Mr. Abboud.

Taking into account the year 2000 Forecast (see Annex 1) and based on P/E multiples of selected comparable public companies of the same business sector (see Annex 2), the present evaluation of Joseph Abboud trademarks is equal to US\$ 24,5 million (2000 net income = US\$ 2,7 million x 9 = P/E multiple) despite which ever price would be defined among the parties (range US\$ 50 to US\$ 55 million). The price range presently under discussion includes a premium price of more than 100% if compared with the trademarks evaluation as above stated. This means that GFT is anticipating to Mr. Abboud the present value of future earnings (based on a very aggressive growth ratio) which in order to be achieved will require huge investments fully financed by GFT as 100% shareholder. In other words the price range presently under discussion represents an up front payment of a very important part of expected future earnings.

The Earn Out formula must not set aside:

- 1) the current market parameters,
- 2) the future value (5 years) of the present price paid (\$ 50-55), under the assumption of an interest ratio corresponding to a "free risk" investment (e.g. 6% Treasury Bond).

The proposed Earn Out formula is the following:

Net av. income 2001 ÷ 2005 x 9 less agreed price (\$ 50-55) x
 (1+0,06)⁵ = Final price x 0,50 = EARN OUT PRICE

GFT SpA, 10123 Torino (Italia) - corso Emilia 4, ufficio postale 646 - 10128 Torino
 tel. (011) 538.71, telefax (011) 538.7115, telex 321166-2206028 Pina I,
 capitale sociale L. 68.000.000.000 int. vers., CCLAA di Torino n. 738/71 Reg. Imprese - n. 548321 Reg. Ditta, partita IVA 00497990012
 Capibank 55555 123 212 303 000

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~~GRUPPO GFT~~

The final price is shared between the parties under the assumption that Mr. Abboud personal involvement and participation to the development and growth of the business is of such an importance as the efforts made by GFT executives.

The Earn Out Price will be assessed and settled at closing of the consolidated financial statements for the year ended December 31, 2005 on the basis of the average of the consolidated net results relevant to the period January 1, 2001 - December 31, 2005.

As far as the salary/compensation package is concerned our proposal is based on what Mr. Jorio Fili has already anticipated to Mr. Abboud during the November 11 meeting in New York about the reasonability of the salary in view of the fact that Mr. Abboud will get a very important amount of money before starting any dedicated action to grow the business under any aspect, first of all future profitability.

Our proposal is to sign an exclusive design consultancy agreement for a period of at least 5 years (March 15, 2000/February 28, 2005) with a salary of US\$ 250.000 per year.

The compensation package will recognize to Mr. Abboud first class travel and accommodation expenses commensurate and linked both to his personal active role GFT expects and his well-known reputation and prestige.

Looking forward to receive your written comments on the above, I remain

Sincerely yours,



Paolo Vigitello

c.c. Mr. J. Abboud
Mr. M. Romiti
Mr. R. Jorio Fili

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